



# CITY OF LODI

## COUNCIL COMMUNICATION

**AGENDA TITLE:** Report on Alternative Methods of City Transit Fleet Maintenance

**MEETING DATE:** November 20, 1996

**SUBMITTED BY:** City Manager

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**RECOMMENDED ACTION:** That Council recognize the problems inherent in further extension of contracting for transit fleet maintenance, and reaffirm Lodi's present policy of balancing maintenance of vehicles, based on cost effectiveness, between the City shop and other service providers. We also respectfully recommend that the two employees originally hired on a contractual basis, pending clarification of this issue, be converted to regular City employees.

**BACKGROUND INFORMATION:** When Council considered the transit matter in September, one of the remaining questions was the extent to which further privatization might be advantageous to the City, with specific reference to transit fleet maintenance. A major portion of maintenance is already contracted out, of course, primarily in specialty areas that are not cost effective for the City, such as replacement of auto glass, body work, painting, radiators, and major overhauls and similar work, while the shop concentrates on what it does best, including overall management of repairs to ensure optimum availability of equipment. We investigated alternative ways to provide this service, either through the school district or other entities that provide this type of service in the community, found that interest/ability to provide this service was very limited, and have concluded that the City is best served by retention of our present system. There are several reasons for reaching this conclusion, including the following:

1. Maintenance of High Priority Service for Essential City Functions


While the City shop is accustomed to giving priority service to emergency vehicles, transit vehicles, etc., it would be difficult to arrange a similar priority system with other organizations, without paying some kind of super premium, and even then it would require constant inspection and follow-up to ensure that the City's priorities are actually met. The ability of the shop to turn high priority vehicles around quickly actually permits operation with fewer vehicles, as "spares" are less necessary. The cost of maintaining the City's priority to return these quickly to service, though almost impossible to calculate, would be high.

2. Maintenance of a "Critical Mass" Necessary to Operate Fleet Shop

All things being equal, a large, busy, high volume shop is going to be more cost effective than a low volume shop that must spread necessary overhead over a smaller base. If the shop's base is narrowed by contracting out work, the overhead is spread over fewer units of work, thereby driving the unit cost upward. As this upward trend in cost makes the shop less attractive as a provider of service, operating departments will naturally tend to look elsewhere for their service, thereby reducing the base even further and making unit cost even higher. The inevitable end product of this downward spiral is a shop that is totally uncompetitive on cost, yet servicing specialty equipment that can't be contracted out, and therefore of little value to the City. Maintenance of a certain "critical mass" is therefore essential to the shop's value to the City and its departments.

Because the City's Equipment Maintenance Shop is already equipped to service a great variety of types and sizes of vehicles and equipment, and does spread its overhead over a larger base, the additional cost of maintaining 17 transit vehicles is cost effective.

APPROVED: \_\_\_\_\_

  
H. Dixon Flynn -- City Manager



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3. Avoidance of Shuttling Costs Inherent in Decentralization

To the extent that we look to other organizations to perform maintenance on the City's vehicles, there will be an additional overhead cost in shuttling vehicles from the MSC (or wherever else they may be stored) to the organization(s) that provide the service, and this is much less efficient than the present system. While it is impossible to assign a precise cost to this new overhead function unless and until we know the location(s) of the maintenance organization(s) and the volume of shuttling necessary, it is clear that an additional cost would be involved, and that it would be significant.

4. Avoidance of Additional Overhead Coordination

The greater the diversity of service suppliers, the greater the complexity (and cost) of the management and coordination function. Since it is virtually a certainty that multiple service providers would be necessary under an expanded contracting out scenario (since no single organization can do it all) the present management and coordination function would expand in its complexity, and therefore its cost.

5. Non-transferability of CHP Licensing Function

The City presently performs certain maintenance and inspections under license from the California Highway Patrol, and that responsibility would necessarily continue to rest with the City, and could not be transferred to a contracting agency. Control of the function would be lost under a contractual arrangement, with the City responsible for a function that it could not fully control.

6. Loss of Existing Second Work Shift

The City presently utilizes a second shift for service of transit vehicles, reducing the time they are out of service for maintenance and repair (all City departments have benefited by this second shift of the shop operation). Contracting likely, if not certainly, would require vehicles to be taken out of service, and/or mandate the purchase of additional spare vehicles to maintain service to the public.

We believe that the potential for achieving significant additional savings by any major increase in the current level of contracting out of transit fleet maintenance work is negligible, while the potential for long term damage to our maintenance function is substantial, for the reasons noted above. For this reason we respectfully recommend that this alternative not be considered further at this time and that Council reaffirm our existing policy with regard to transit maintenance.

A "loose end", when Council considered this question in September, was the status of two maintenance employees who had been hired on a contractual basis a year ago, pending clarification of this question. To the extent that Council agrees with our conclusion as stated above, we respectfully recommend that these employees (one Heavy Equipment Mechanic and one Equipment Service Worker) be accorded regular employee status, as originally planned.

**FUNDING:** Nominal and provided for in current budget.

Respectfully submitted,

  
H. Dixon Flynn  
City Manager

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